

FISCAL NOTE

SB 26 SECOND EXTRAORDINARY SESSION

November 9, 1999

SUMMARY OF BILL: Declares that it is a taxable privilege to do business in Tennessee without providing adequate health insurance coverage for employees and their families. Imposes the requirement for coverage on all employers with 200 or more employees beginning January 1, 2000. The requirement is phased in for employers with 100 or more employees on January 1, 2001 and for those with twenty-five or more employees by January 1, 2002.

Imposes an additional one percent premium tax on all health insurance companies except those that sponsor a TennCare MCO which represents twenty-five percent of their enrollment or at least 200,000 lives.

Imposes an additional one percent premium tax on all health maintenance organizations except those that sponsor a TennCare MCO representing at least forty percent of their enrollment or at least 50,000 lives.

Imposes a privilege tax of \$15 per covered individual on companies administering health insurance claims, health maintenance organizations, health insurance companies and employers that adjudicate health insurance claims and are not at risk for medical expenses (self-insured).

Requires an appropriation from recurring revenues for any bill that increases the state share of the cost of medical assistance in the TennCare Program. Such appropriation would be equal to the highest annual estimate for the next five years as reflected in the fiscal note prepared by the Fiscal Review Committee. The amount shall be for operating costs exclusive of any capital costs. Appropriations are to be placed in the reserve for revenue fluctuation or to be appropriated for one-time non-recurring health related expenditures. Any law passed without such funding is null and void.

Establishes prohibitions against health insurers wrongfully declining to issue health insurance based upon uninsurability. Decisions to decline coverage are to be based upon sound underwriting principles as defined in rules to be issued by the Department of Commerce and Insurance. Gives the department authority to investigate violations and to revoke an insurers certificate of authority or to assess a fine up to \$5,000 for each violation when a company improperly denies coverage. Such a violation would also be a Class D felony.

ESTIMATED FISCAL IMPACT:

Increase State Revenues - \$49,370,000

**Increase State Expenditures - \$95,000 Recurring
\$70,000 One-Time**

**Other Fiscal Impact - Increase Federal Expenditures -
\$89,000 Recurring
\$10,000 One-Time**

Other Fiscal Impact - Funding requirements in the bill may prevent additions to the TennCare program that would have occurred in the absence of the bill resulting in a cost avoidance to the state estimated to exceed \$1,000,000 in the long term. The state may also forego the collection of some potential federal matching revenues.

Estimate assumes:

- The one percent premium tax on insurance companies and health maintenance organizations will raise an estimated \$26,870,000.
- The \$15 privilege tax on self-insured plans and plan administrators will raise \$22,500,000 based on an estimated 1,500,000 covered lives.
- A one-time cost in the Department of Revenue for automated system changes of \$60,000 and recurring cost of \$6,000 to collect the privilege tax.
- A need for three positions and associated administrative expenses in the TennCare Bureau to annually evaluate and investigate approximately 8,000 letters of uninsurability.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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